



December 21, 1987

SUBJECT: Delinquent Borrowers Whose Names Appear on  
the Report 540, "Status Report of Farmer  
Programs Accounts"

TO: All State Directors and State Directors-at-Large, FmHA

PURPOSE/INTENDED OUTCOME

This Administrative Notice (AN) is issued to provide guidance in servicing delinquent borrowers' accounts, to conform with recent rulings in the Coleman vs. Lyng case, and in following with previous Farmers Home Administration (FmHA) unnumbered memorandums.

COMPARISON WITH PREVIOUS AN

The previous AN No. 1519 (1965) expired on September 30, 1987.

IMPLEMENTATION RESPONSIBILITIES

FmHA Instruction 1924-B, Section 1924.71, requires that the County Supervisor send Forms FmHA 1924-14, 1924-25 and 1924-26 to all borrowers more than \$100 delinquent on their FmHA loan payment(s) on the December 31st Report 540 each year. Unnumbered memorandums issued dated May 18, June 18, June 26, July 22 and September 1, 1987, advised that the Forms FmHA 1924-25 and 1924-26 would not be sent to any borrowers. The prohibition on issuing these two forms is still in effect; therefore, until further notice, the Forms FmHA 1925-25 and 1924-26 will not be sent to delinquent borrowers (\$100 or more) appearing on the December 31, 1987, Report 540. Form FmHA 1924-14 (only) will continue to be sent.

EXPIRATION DATE: September 30, 1988

FILING INSTRUCTION:  
Preceding FmHA  
Instruction 1924-B



1702(1924)

FmHA Instruction 1924-B, Section 1924.59 (d), requires the County Supervisor to send Form FmHA 1924-14 to all farmer programs borrowers in November of each year to remind them of the available servicing and security disposition requirements. Delinquent borrowers (\$100 or more) on the December 31, 1987, report should receive two separate transmittals of the Form FmHA 1924-14, to conform to the separate notification requirements. Notification requirements do not include accelerated accounts, currently pending bankruptcy cases (unless the borrower's attorney has not yet been sent a copy of the revised version of Exhibit D to FmHA Instruction 1962-A) and cases reclassified to collection-only.

FmHA Instruction 1951-A, Section 1951.7 (c), directs the County Supervisor to notify borrowers of the dates and amounts of payments that have been agreed on for all types of accounts. Form FmHA 451-3 will continue to be used for this purpose and will be sent to all delinquent borrowers, regardless of amount of delinquency, and regardless of whether the borrowers have previously received Forms FmHA 1924-25 and 1924-26, but have not been accelerated. The form will not be sent to borrowers whose loan accounts have been accelerated, have filed a petition for bankruptcy, are operating under a confirmed bankruptcy reorganization plan or have been reclassified to collection-only status. The form will not contain language indicating that an account is delinquent, will not be altered into a demand for payment and will not contain reference to any loan servicing or liquidation action. Refer to Section 1951.7 (c) for additional guidance.

Delinquent borrowers may continue to request and be considered for loan servicing options. However, voluntary liquidation options should not be discussed with delinquent borrowers who have not received Forms FmHA 1924-25 and 1924-26 until more than 30 days after the borrower received Form FmHA 1924-14. Borrowers who have previously received Forms FmHA 1924-25 and 1924-26 may be considered for loan servicing, appeals, curing defaults and voluntary liquidation options, subject to the supplementary instructions issued for servicing these cases. Refer to the unnumbered memorandum dated September 1, 1987, entitled "Recent Decisions in the Coleman Case," unless superceded, replaced or rescinded.

Delinquent borrowers will continue to receive normal security servicing, preparation of Form FmHA 431-2, limited resource reviews, preparation of Form FmHA 1962-1, and appeal rights for adverse actions in accordance with applicable FmHA Instructions unless further modified by AN or unnumbered memorandum.

Delinquent borrowers involved with other non-monetary defaults, such as conversion or failure to graduate, will be serviced in accordance with FmHA Instructions covering those other default issues unless further modified by AN or unnumbered memorandum.

1702(1924)

For those borrowers that are classified as Non-Program (NP) and are delinquent, refer to FmHA Instruction 1965-A, Section 1965.34, for assistance in servicing the accounts. Since these borrowers are not eligible for the loan servicing options, the transmittal of Forms FmHA 1924-14, 1924-25 and 1924-26 is not applicable. There are no prohibitions against demands for payment and acceleration for NP borrowers.



VANCE L. CLARK  
Administrator

Sent by electronic mail on December 23, 1987, at 4:42 pm by ASD.  
The State Director will advise District and County Offices of the content of this message.